

EXHIBIT 8

EXHIBIT 16

EDMC
Education Management Corporation

Education that Builds Careers



Admissions Performance Plan

Manager Guidelines

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This guide is intended to assist with the administration of EDMC's Admissions Performance Plan. The Company reserves the right to change, modify or alter any of the plans outlined in this guide at any time without prior notice. Receipt of this guide does not guarantee future employment with the Company.

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Introduction

All of us at Education Management Corporation (EDMC) take pride in doing our jobs well. Our goal is to deliver superior education for our students. To help us meet this goal and our business objectives, we must continue to recruit and retain qualified students. Our success in doing so begins with our Admissions staff.

The Admissions Performance Plan is designed to reward performance that helps the Company achieve business results. The plan is for Associate Directors of Admissions (Associates) and Assistant Directors of Admissions (ADAs) for The Art Institutes. Through the plan, Associates and ADAs are evaluated twice per year based on quality and quantity factors, and their salary will be modified based on this evaluation.

About this Guide

This guide provides an overview of the Admissions Performance Plan in effect as of July 1, 2003. As managers of participating employees, you will use this guide to administer the plan at your location. You will be assisted in doing so by Admissions Specialists and the Central Staff. It is your responsibility to ensure that compensation is administered effectively, fairly, equitably, and within the scope of the plan.

This guide provides an overview of:

- EDMC's compensation philosophy
- The Admissions Office structure and career paths
- Roles, responsibilities, and timeframes for administering the plan
- How the plan works
- The performance evaluation process

Please read this guide to familiarize yourself with the plan. If you need additional information or have any questions, contact your Admissions Specialist.

Our Compensation Philosophy

Compensation is an important element of overall rewards available to EDMC employees. These rewards also include a competitive employee benefits program and career development and advancement opportunities.

EDMC's compensation philosophy is to reward individuals for their contributions to the Company's success. Specifically, the compensation program is designed to:

- Support our overall business strategy for growth
- Align our salary ranges with market trends
- Reflect labor market differences
- Create a compensation program that is easy to understand and administer
- Support our recruiting and retention efforts, consistent with the highest ethical and applicable regulatory standards
- Attract, retain and develop a high caliber of ethical and professional Associates and ADAs

The Admissions Performance Plan is the plan through which Associates and ADAs are evaluated on their performance in support of the Company's goals. In addition, the plan provides participants with career enrichment and long-term development opportunities with EDMC.

EDMC's Expectations

The Company expects Associates and ADAs to continually recruit and retain qualified students while adhering to business and ethical standards. Associates, ADAs, and those who manage them also must comply with Company policies and applicable standards of our schools' regulatory bodies at all times. Associate and ADA performance will be rated with respect to both qualitative and quantitative factors, and salaries will be adjusted to reflect the overall performance evaluation. This comprehensive performance focus will be a critical factor in EDMC continuing to be successful in the future.

Admissions Office Structure

Because of the critical role each Admissions Office plays in EDMC's overall success, the Company has developed a structure for how these offices are to be organized. Here is an overview of this structure.

The **Director of Admissions (DoA)** serves as the primary recruiting and marketing manager for all local recruitment efforts and Admissions administrative operations. In addition, the DoA serves as a member of the school's Executive Committee (EC) and, therefore, has input and involvement in most matters affecting the school beyond the Admissions Department's functions. The DoA manages or oversees the managers of all recruiting functions, including Associate and Assistant Directors of Admissions; Clerical personnel, including Administrative Assistants, Enrollment Processors and Receptionists; Mailroom Supervisor and personnel; Admissions Coordinators; Information Specialists; and others. Some school locations may opt to employ a second DoA, who typically oversees a specific segment of the Admissions operation. Usually the ADA staff will total 20 or more employees for a second DoA position to be staffed, but this decision is at the discretion of the President, Group Vice President (GVP) and primary DoA. The second DoA reports directly to the primary DoA, who is ultimately accountable for all Admissions outcomes and functions. The second DoA does not serve on the EC.

There are three types of Associate DoA positions, and these individuals may report to either DoA. The Associate types are:

- **Managing Associate DoA**—Managing Associate DoAs carry a personal performance plan and also serve as the recruitment manager of an assigned team of ADAs. The Managing Associate follows his or her staff members' conversion and start-rate percentages, motivates the team, and conducts appropriate training directly and in conjunction with the Training Associate and DoA's training efforts. The Managing Associate also conducts periodic team meetings and formal monthly performance reviews.
- **Project Associate DoA**—Project Associates carry a personal performance plan and are also accountable for significant assigned functions within the Admissions Department, such as training; event planning and implementation; local marketing (inquiry generation); or other part-time responsibilities.
- **Training Associate DoA**—Training Associates do not carry a personal performance plan and are not covered under this plan. They are compensated on a straight salary basis according to the salary range for this position. They provide ongoing training and performance observations for the entire ADA staff. Their efforts are supplemented by both fellow Associates and the DoA. Because training is regarded as the most important and effective recruitment management effort, all Admissions managerial personnel are involved in supporting this effort. Through training, the Company aims to improve ADA performance levels, and to lower turnover by improving job satisfaction (via performance success). Training Associates are not to be used as an extra arm for school committee attendance, reporting, event

management, etc. If staffed, the Training Associate exclusively supports training efforts. Staffing this position requires the approval of the President, Group Vice President, and Admissions Specialist.

Both Managing and Project Associates are eligible for additional compensation based on their management responsibilities. Training Associates are not covered under the Admissions Performance Plan and, therefore, are not eligible for any salary adjustment.

All decisions regarding promotions, demotions, or changes in reporting structure for Managing, Project, or Training Associates must be approved in advance by the President and Admissions Specialist, with appropriate input from the Human Resources Director.

The **Assistant Directors of Admissions (ADAs)** are the in-school recruiters who fall into several categories, as assigned by the DoA(s). Some examples are:

- Generic (non-dedicated) – work with all types of inquiries;
- High School – specialize in working with high school senior inquiries;
- General – specialize in working with inquiries who have graduated from high school;
- International – specialize in working with inquiries who need a student visa;
- Program-Specific – specialize in working with inquiries for a specific area of study, such as Culinary Arts, regardless of year of high school graduation; and
- Long Distance or Zone B – specialize in working with inquiries who live more than 100 miles from the school.

ADAs above who specialize in working certain types of inquiries may be called upon to work other types as the Company's business needs require.

More information on these positions can be found in job descriptions on the Intranet.

Job Titles

For internal purposes, all employees have a functional job title or classification that conforms to this Admissions Office structure and performance plan. This functional job title helps facilitate consistency across the Company.

Admissions employees who were hired before July 1, 2003 and who have a different title they use with the public may continue to use that title to represent themselves or the Company, for as long as they remain in that position. If they are promoted or transfer to another position after that date, their new title must fit within the Admissions Office structure.

All new positions filled after July 1, 2003 must use the approved titles under this structure.

ADA Career Path

EDMC is committed to rewarding, retaining, and extending further opportunities to ADAs who meet or exceed their recruitment plans, and who meet or exceed the Company's expectations with regard to qualitative performance standards. There are many career avenues for successful ADAs to pursue within the organization based upon their skill sets and talents, both within and outside of the Admissions area. Growth within the career—both personally and financially—is key for many people, since most candidates are attracted to the ADA position as a long-term career move. For such individuals, the ADA position is the end to which they aspire, due to its nature as a recruiting position within a guidance role and education framework. Others desire to apply their talents in other avenues and, during their successful years of performance as an ADA, position themselves to branch out through their achievements, knowledge obtained, and demonstrated talent. Many current EDMC managers and directors began their careers in the ADA role, including several EDMC executive committee members, school Presidents and Directors of Admissions, as well as Directors of Student Services, Public Relations, and members and leaders of other departments.

The DoA is expected to facilitate ADA career advancement in Admissions with EDMC. ADA candidates for advancement would include those who demonstrate the following:

- Ability to meet or exceed their ADA application and new student plans
- Quality ratings that consistently are at the "Meets Expectations" level or higher
- Initiative, including assisting new ADAs, handling event preparation, and successfully conducting ADA sales meetings assigned by the DoA
- Personal integrity, leadership ability, and problem-solving skills
- Respect of their peers, including those of other departments
- Understanding of the technical aspects of the position, including the student information system, production reports, the recruitment process, the interview structure, and the strategies of the department
- Support of Company policies and procedures and adherence to sound business practices

As a manager, it is your role to help prepare ADAs who are interested in becoming Associates. The Associate Development Timeline Guide and the Associate Model documents provide the DoA and aspiring ADA with guidelines on specific skills and attitudes to develop. A few principles are listed here as an introduction to those documents:

- Promote the candidate initially as a team leader, giving him or her the responsibility for assisting at least two ADAs within a team, including "Gateway to the Future" training interaction; team motivation through meetings or contests; training via observations; mentoring; and assigning evening and Saturday shifts to team members.
- Assign developmental responsibilities, such as planning and executing a phone-a-thon or other event; a large group sales training meeting; and inter-department committee, training or other involvements.
- Provide introductory training regarding how to manage the activities of the team, time management, effective hiring, training skills, problem resolution, and developing an effective management style.
- Include the candidate in select Associate DoA planning or developmental meetings.

As a manager, it is your responsibility to talk with employees each evaluation period about career options both inside and outside Admissions and EDMC, based on their skills, performance, and interests.

Additional information on the ADA career path is available on the Intranet.

Roles and Responsibilities

It is important to understand the different responsibilities required to manage the Admissions Performance Plan. The following is a summary of the responsibilities associated with roles within EDMC:

Participants (Managers, Proprietors, Associates, ADAs)	Employee Responsibilities Understanding how the plan works for compensation administration Responding to questions Answering questions, providing feedback, and suggestions Working with managers to ensure the plan is implemented correctly
Managers (DoAs and/or Managing Associates)	Managers play a crucial role in compensation administration and communication. They are often the first to receive employee questions, concerns, and ideas. Managers are responsible for: <ul style="list-style-type: none"> Ensuring ADAs and Admissions Support Staff work toward a zero-tolerance policy regarding errors in database entry and updates Administering compensation fairly and consistently according to the plan Conducting performance evaluations twice per year Reporting quality factor evaluation results to Central Staff Coordinating all required approvals through Central Staff Communicating changes to salary to employees Answering employee questions
Admissions Support Staff	Admissions Support Staff are responsible for ensuring the plan is implemented correctly. They are responsible for: <ul style="list-style-type: none"> Providing support to managers and employees Ensuring the plan is implemented correctly Working with managers to ensure the plan is implemented correctly
Central Staff	Central Staff is a key resource for managers on the plan. Central Staff is responsible for: <ul style="list-style-type: none"> Compiling the Salary and Performance Worksheets for use by managers during evaluations Determining the legal requirements of the plan Evaluating and approving the completed Salary and Performance Worksheets submitted by managers Providing completed salary worksheets to managers for use in the second evaluation meeting Providing other required data, tools, and resources to managers for administering plan Monitoring the plan to ensure it continues to support EDMC's compensation philosophy and business goals, and is consistent with regulatory requirements Working with Payroll to modify participants' salaries as appropriate each performance cycle Answering managers' questions

How the Plan Works

The fundamentals of the Admissions Performance Plan work the same way for all participants (Associates and ADAs). It is designed to ensure Associate and ADA compensation is standardized across EDMC and truly rewards performance against specific objectives.

Compensation under the plan is determined based on the number of new students recruited over the previous 12 months, as well as the evaluation of defined quality factors as described below. Other factors that can affect salary include years of service with EDMC and, in some locations, a labor market adjustment. Associates who manage projects or ADAs receive additional compensation for these increased responsibilities.

The new students recruited over the previous 12 months are converted into points (based on the characteristics of the new student), and the point total determines a salary range for a participant. The salary within the range is determined by the manager's evaluation of performance against quality factors. Standard performance evaluations are conducted in June and December, based on new student results as of the end of April and October, respectively, and quality factor evaluations over the previous six months. Salary changes are effective July 1 and January 1. Qualitative performance evaluations must be approved by both the President (or Human Resources Director, at the President's discretion), and the Admissions Specialist.

Salaries can be adjusted based on the performance evaluation. **For the July 1, 2003 and January 1, 2004 salary adjustments, salary will either remain the same or increase based on the evaluation, but it will not decrease, even if plan guidelines would have resulted in a reduction.** (Note, however, that total earnings may decrease due to a reduction in overtime pay.) Beginning with the July 1, 2004 salary adjustment, salaries may increase, stay the same or decrease, based on the performance evaluation. However, the most a salary may decrease following any single evaluation is 25%.

Because the Company places a high value on long-standing employees, Associates and ADAs with 10 years of service as of June 30, 2003 will be granted a six-month extension of the salary protection stated above. Provided they maintain quality factor ratings at the "Meets Expectations" level or higher (at least 13 quality points), ADAs with 10 years of service will not be subject to a salary decrease until January 1, 2005.

Please note that, as part of this plan and based on current law, Associates and ADAs will be eligible for overtime and must obtain permission in advance to work overtime hours. Managers must assign and approve overtime in a fair and even way, irrespective of an employee's status, dedication, or production expectations. Overtime is not to be approved as a means of rewarding high-producing employees.

More details on how the plan works can be found on the following pages.

Calendar of Events

The following calendar of events provides a general sense of timing for performance evaluations and salary changes under the plan. These evaluations are in addition to the regular quarterly reviews to evaluate performance goals and development plans.

June 1	Performance evaluation meeting with employees and new students for the previous session.
July 1	Salary change goes into effect.
December 1	Performance evaluation meeting with employees and new students for the previous session.
January 1	Salary change goes into effect.

New Student Points

A new student is an individual whose intention is to complete a program of study (i.e., not taking a single course or workshop), and who is considered to have started school by the Registrar's Office as of the end of the add/drop period for the start date. Quarterly data collections of new student results are not considered final, since a new student admitted on a conditional class start agreement who subsequently is rejected for lack of proof of educational credentials will be deducted at a later date.

For the purposes of the semi-annual evaluation, new students over the preceding 12-month period will be considered. For the June evaluation, new students from April back through the previous May will be considered. For the December evaluation, new students from October back through the previous November will be considered.

New students for each evaluation period are compiled and converted into points, based on six key pieces of data for each new student, as recorded in the student information system. The data elements are:

- Original ADA or Associate
- Program code (Undergraduate, Graduate, or CPD)
- Visa code
- Year of high school graduation
- Zone code
- Start date (as indicated by the current session and current year).

Note that new students at The Art Institute Online are handled slightly differently, as indicated in the chart below.

Original new students are those who made application with the Associate or ADA who currently is assigned to the student record. These are categorized according to the criteria above in a specific order. CPD students count as one point regardless of all other criteria. The visa code defines whether a non-CPD new student is international, and supercedes the year of high school graduation and zone code. Non-CPD new students who do not qualify as international are categorized as senior if they start school no later than the month of May following their graduation from high school. All remaining non-CPD new students who do not qualify as international or senior are categorized as general.

The number of new student points earned by the original ADA or Associate depends on the categorization of the new student and the location, as shown on the chart below.

Type of New Student	Points	
	Zone A	Zone B or C
General	2	3
Senior	3	4
International	3	4
CPD (including AiO)	1	1
AiO General, Senior or International	3	3
Inherited General, Senior or International (including AiO)	1.5	1.5
Inherited CPD	0.5	0.5
Inter-School Referral	1	1

As indicated in this chart, Associates and ADAs who work for The Art Institute Online will earn one point for CPD new students and three points for all non-CPD new students.

Note that if the total of all new student points is a one-half point increment, it will be rounded up to the next whole point. For example, a point total of 199.5 will be rounded up to 200.

All employees are required to enter and maintain accurate data in the student information system. Employees who attempt to inflate new student point values through inaccurate data entry or updates will be subject to disciplinary action that may range from disqualifying themselves for a salary increase, up to and including termination.

The new student point values will be reviewed and updated as necessary to ensure they continue to support EDMC's goals and are competitive with the market.

For information regarding point values of inherited applicants who start school and inter-school referrals, please see the "Compensation in Special Circumstances" section of this guide.

Quality Factors

In addition to new student points, each Associate or ADA is evaluated based on the extent to which he or she demonstrates certain quality factors. These factors are a critical part of EDMC's continued success.

For the Admissions Performance Plan, the five quality factors are as follows:

Overview of Quality Factors	
Job Knowledge	Adheres to approved recruitment methods and practices. Knows the products. Understands fellow enrollment and education department functions and objectives. Uses the enrollment systems and technology correctly.
Business Practices and Ethics	Demonstrates sound business ethics and business principles in serving prospective students and applicants, including achievement on the Compliance/FAQ test.
Professionalism	Assists prospective students and applicants in a cooperative manner. Willing to assist students assigned to others. Displays a positive attitude in the work environment.
Customer Service	Serves prospective students, applicants and fellow employees in a timely and accurate manner. Works to resolve issues and acts in a consultative sales role in achieving positive customer satisfaction.
Initiative	Evaluates, selects and appropriately acts on various methods and strategies for effectively and appropriately solving problems and meeting objectives before being asked or required to do so. Self-starting rather than passively complying with instructions or assignments.

Managers will rate employees' performance during the past six months (December through May for the June evaluation, or June through November for the December evaluation) on each of these factors, from Outstanding to Unsatisfactory performance. Each rating corresponds to a single-point scale, from 5 to 1 for each factor, and the total of the five individual scores will determine the employee's total quality points, from a high of 25, to a low of 5.

Each participant's quality factor rating must be approved by the Director of Admissions, President (or Human Resources Director, at the President's discretion) and Admissions Specialist.

More information on these factors and the associated ratings can be found in the Appendix.

ADA/Associate Annualized Salary Chart

The combination of the total number of new student points and quality factor points determines the participant's annualized salary. (Adjustments may be made to this annualized salary—as applicable—for labor market, years of service and Associate management responsibilities.)

The following chart provides annualized salaries based on new student points and quality factor points as of July 1, 2003.

Level	New Student Point Range	Annualized Salary, Based on Quality Points				
		0-12 points	13-22 points	23-32 points	33-42 points	43-52 points
1	0 - 99	\$26,000	\$27,000	\$29,000	\$31,000	\$33,000
2	100 - 125	\$28,500	\$29,500	\$32,000	\$34,000	\$36,000
3	126 - 150	\$31,250	\$32,500	\$35,000	\$37,000	\$39,000
4	151 - 175	\$34,750	\$36,000	\$39,000	\$41,000	\$43,500
5	176 - 200	\$38,500	\$40,000	\$43,000	\$45,500	\$48,000
6	201 - 225	\$42,500	\$44,000	\$47,000	\$49,750	\$52,000
7	226 - 250	\$47,000	\$49,000	\$52,000	\$55,000	\$57,500
8	251 - 275	\$51,500	\$53,500	\$57,000	\$60,000	\$63,000
9	276 - 300	\$56,000	\$58,000	\$62,000	\$65,000	\$68,000
10	301 - 325	\$61,000	\$63,500	\$68,000	\$71,000	\$74,000
11	326 - 350	\$67,000	\$70,000	\$74,000	\$77,000	\$80,500
12	351 - 375	\$73,000	\$76,000	\$80,000	\$84,000	\$87,500
13	376 - 400	\$79,000	\$82,000	\$87,000	\$91,000	\$95,000
14	401 - 425	\$86,000	\$89,000	\$94,000	\$99,000	\$103,000
Add'l levels	25-point increments	Add \$7,000	Add \$7,000	Add \$7,000	Add \$8,000	Add \$8,000

This chart will be reviewed and updated as necessary to ensure it continues to support EDMC's goals, and that salaries are competitive within the marketplace.

Examples of various new student and quality point totals follow, but note that all of them conclude with an annualized baseline salary—the compensation level attained before adjustments are made for length of service, the labor market, and management duties carried out by Associate Directors of Admissions.

Examples of New Student/Quality Factor Annualized Salary:**Example #1: Generic (non-dedicated) ADA**

42 general new students in Zone A (2 points each)	84
16 general new students in Zone B (3 points each)	48
24 senior new students in Zone A (3 points each)	72
8 senior new students in Zone B (4 points each)	32
90 total students	
Total new student points	<u>236</u>
Quality points (Needs Improvement)	<u>12</u>
Annualized baseline salary	<u>\$49,000</u>

Example #2: General ADA

90 general new students in Zone A (2 points each)	180
17 senior new students in Zone A (3 points each)	51
5 CPD new students (1 point each)	5
112 total students	
Total new student points	<u>236</u>
Quality points (Meets Expectations)	<u>17</u>
Annualized baseline salary	<u>\$52,000</u>

Example #3: High School ADA

6 general new students in Zone A (2 points each)	12
52 senior new students in Zone A (3 points each)	156
17 senior new students in Zone B (4 points each)	68
75 total students	
Total new student points	<u>236</u>
Quality points (Highly Effective)	<u>21</u>
Annualized baseline salary	<u>\$55,000</u>

Labor Market Adjustment

Not all labor markets are the same. While the intent of the Admissions Performance Plan is to standardize the compensation plan across EDMC and link pay to performance, labor market adjustments will be made as appropriate for employees who live in the same market where their school is located. These labor market adjustments are based on the cost of labor in a geographical area, as determined by The Economic Research Institute data on wage and salary differentials.

Labor Market Adjustments	
<i>Adjustment</i>	<i>Locations</i>
0%	AiA, AiCH, AiD, AiFL, AiH, AiMIU, AiO, AiP, AiPX
5%	AiC, AiLV, AiM, ILiC, ILiS
10%	AiCASD, AiNE, AiPD, AiPH, AiW
15%	AiCALA, AiCAOC, AiCDC, AiNYC, AiS
20%	AiCASF

These adjustments will be reviewed periodically and updated as necessary.

The labor market adjustment to salary is an incremental amount calculated using the appropriate percentage above, and the participant's annualized baseline salary, determined by new student points and quality factor points. It is then added to the annualized baseline salary.

Note that employees who do not live in the same market where their school is located will not receive the labor market adjustment.

Years of Service

Because continuity, knowledge of EDMC, and knowledge of the marketplace all are valued by the Company, additional salary is awarded based on years of service. These years of service do not have to be with the same school, or in the Admissions function, but are with EDMC overall. Service with companies EDMC has acquired also will count for this adjustment.

Employees must have at least two years of continuous service with EDMC to be eligible for this adjustment. For employees of record as of July 1, 2003, who subsequently do not separate from the Company, the years of service calculation is based on total cumulative years from the original hire date, less any time away from the Company.

Following July 1, 2003, the years of service calculation will be based on the employee's adjusted hire date. This means that if an employee leaves EDMC after July 1, 2003, and comes back to the Company, his or her service for this adjustment will be counted from the date he or she rejoined the Company, and not the original date of hire.

The years of service adjustment to the salary is an incremental amount calculated using the appropriate percentage below, and the participant's annualized baseline salary, as determined by new student points and quality factor points.

Completed Years of Service	Adjustment
Less than 2 years	0%
At least 2, but less than 5 years	3%
At least 5, but less than 10 years	5%
At least 10, but less than 15 years	7%
At least 15, but less than 20 years	10%
20 or more years	15%

Example of Years of Service Adjustment:

Annualized baseline salary (from points chart)	\$52,000
Labor market adjustment (for a 10% market)	\$5,200
Years of service adjustment (6 years of service = 5%)	\$2,600
Total annualized salary (\$52,000 + \$5,200 + \$2,600)	\$59,800

Associate Director of Admissions Management Responsibilities

Associate DoAs are eligible for additional compensation based on their management responsibilities. This applies if they manage people or projects, as follows:

- **Project Associates** are responsible for managing activities, such as training, events, local marketing, administrative support or other areas as determined by the DoA, President and Admissions Specialist. Project Associates receive a \$3,000 adjustment to their annualized salary for these management responsibilities.
- **Managing Associates** are directly responsible for the performance of the ADAs assigned to them. Managing Associates receive the following adjustments to their annualized salary for these additional responsibilities:
 - \$1,000 for each ADA assigned to the Managing Associate as of the beginning of the evaluation period (either July 1 or January 1), up to a maximum of five ADAs.
 - Managing Associates with six or more months of service in that position will receive an additional adjustment based on the combined salaries of the ADAs assigned to the Managing Associate as of the end of the evaluation period (either May 31 or November 30), again up to a maximum of five ADAs. After the new annualized salaries of the assigned ADAs have been calculated under this plan for performance during the previous six months, the Managing Associate will earn 4% of the new total annualized salaries, as of either July 1 or January 1.

These management adjustments are added to an eligible Associate's salary once his or her salary has been determined based on new student points, quality factors, labor market adjustment (if applicable) and years of service (if applicable).

Assignment of ADAs to a Managing Associate must be done in a fair and equitable manner—based on consistent methods that take into consideration factors such as ADA tenure, experience, new student plan, dedication/specialization, and quality factor ratings—and must be approved in advance by the Admissions Specialist.

While changes in status (promotions or demotions) can occur at any time, salaries for employees covered by this plan can change only on January 1 or July 1, with the exception of new hires at their six-month and twelve-month reviews, and employees who transfer to a new location.

Example of Managing Associate Responsibilities Adjustment:

Annualized salary based on new student points, quality factors, labor market and years of service	\$67,000
Managing associate adjustments	
▪ 4 ADAs	\$4,000
▪ 4% of the 4 ADA salaries	<u>\$8,000</u>
(total of 4 ADA new salaries = \$200,000)	
Total annualized salary	<u>\$79,000</u>

Examples of Determining Salary

Salary is calculated under the plan as follows:

1. New student points and quality factor points determine the annualized baseline salary according to the chart.
2. A labor market adjustment is calculated, if applicable.
3. A years of service adjustment is calculated, if applicable.
4. The labor market and years of service increments are added to the baseline salary to determine the ADA's total annualized salary.
5. If applicable, adjustments for Project or Managing Associates are calculated and added to the total annualized salary.

The following examples illustrate how an employee's annualized salary is calculated under the plan. (These examples do not include labor market adjustments, which vary from location to location.)

Example #1:

General ADA with 236 new student points, 11 quality factor points (Needs Improvement) and 2 years of service...

New student/quality points annualized salary	\$49,000
Years of service adjustment	<u>\$1,470</u>
(3% x \$49,000)	
Annualized salary	<u>\$50,470</u>

Example #2:

Project Associate with 255 new student points, 15 quality factor points (Meets Expectations) and 6 years of service...

<i>New student/quality points annualized salary</i>	<i>\$57,000</i>
<i>Years of service adjustment</i> <i>(5% x \$57,000)</i>	<i>\$2,850</i>
<i>Project Associate adjustment</i>	<i><u>\$3,000</u></i>
<i>Annualized salary</i>	<i><u>\$62,850</u></i>

Example #3:

Managing Associate with 280 new student points, 19 quality factor points (Highly Effective), 11 years of service, including four years as a Managing Associate; manages four ADAs with combined new salary of \$200,000...

<i>New student/quality points annualized salary</i>	<i>\$65,000</i>
<i>Years of service adjustment</i> <i>(7% x \$65,000)</i>	<i>\$4,550</i>
<i>Managing Associate adjustment</i> <i>(4 x \$1,000)</i>	<i>\$4,000</i>
<i>4% Managing Associate team adjustment</i> <i>(4% x \$200,000)</i>	<i><u>\$8,000</u></i>
<i>Annualized salary</i>	<i><u>\$81,550</u></i>

Changes to Salary

Salaries will be adjusted each July 1 and January 1, following the June and December performance evaluations. The July 1, 2003 and January 1, 2004 salary adjustments will result in either a salary increase or no change to the participant's salary, even if the plan guidelines would have resulted in a salary reduction. (Note, however, that total earnings may decrease due to a reduction in overtime pay.) Beginning with the July 1, 2004 adjustment, salaries may increase, stay the same, or decrease, based on the performance evaluation. However, salary reductions will be limited to a maximum decrease of 25% in total annualized salary for any single adjustment.

Here are some examples:

July 1, 2003 and January 1, 2004 Salary Adjustments		
<i>Current Salary</i>	<i>Salary from Plan</i>	<i>New Salary</i>
\$55,000	\$60,000	\$60,000
\$55,000	\$55,000	\$55,000
\$55,000	\$50,000	\$55,000

July 1, 2004 Salary Adjustment		
<i>Current Salary</i>	<i>Salary from Plan</i>	<i>New Salary</i>
\$60,000	\$70,000	\$70,000
\$60,000	\$60,000	\$60,000
\$60,000	\$55,000	\$55,000

NOTE: In order to protect long-standing employees during the transition to this new plan, employees hired before July 1, 1993, will be protected from a salary reduction until January 1, 2005, provided their quality factor points are at "Meets Expectations" or higher. (Again, this protection applies to salary, not to total earnings, as noted above.)

Overtime

Under the Fair Labor Standards Act (FLSA), Associate and Assistant Directors of Admissions are considered non-exempt positions. This means they are eligible for overtime for all hours worked in excess of 40 hours in a work week. Associates and ADAs will receive 1.5 times their hourly rate of pay for all hours worked in excess of 40 hours in a work week.

Special overtime rules apply for employees in California, in accordance with state laws. Contact your Human Resources Director for more information.

The Company reserves the right to change overtime requirements at any time as permitted by the FLSA.

All overtime worked by non-exempt employees must be approved in advance and authorized by the manager. Scheduled overtime is deemed pre-approved overtime. Unauthorized overtime is against Company policy and employees who violate this policy are subject to discipline.

Managers must assign and approve overtime in a fair and even way, irrespective of an employee's status, dedication, or production expectations. Overtime is not to be approved as a means of rewarding high-producing employees. Managers who violate this policy will be subject to disciplinary action.

Standards of Conduct

This plan provides for additional rules and regulations regarding performance and compensation. It is intended to augment—not to replace—existing workplace policies. While reductions in salary are one possible outcome of poor performance, the Company retains the right to take other disciplinary actions as appropriate and, as described in part below, in the general Standards of Conduct.

Since the proper working relationship of all employees depends upon each of us, the Company has established certain minimum standards of personal conduct. These "common sense" guidelines are included here for those who, through lack of understanding or experience, could experience difficulties. Examples of impermissible conduct that may lead to disciplinary action, up to and including termination, are identified below to promote an understanding of what is considered unacceptable conduct and to encourage consistent action by the Company.

The following list contains some examples of conduct that may lead to the imposition of discipline, up to and including termination: excessive or unexcused absenteeism and tardiness; theft; use or possession of illegal drugs or alcohol or other violations of our Drug Prevention policy; unsafe acts; carelessness or negligence; harassment, including sexual harassment; failure to comply with a lawful management directive; and unsatisfactory performance.

Admissions employees are subject to additional standards of conduct that are specific to their type of work, and any of the following actions may lead to the imposition of discipline, up to and including termination: written or spoken misrepresentation of the school, its facilities, its programs, and/or career outcomes; non-compliance with state or federal rules; and non-compliance with regional or national accreditation standards.

The preceding list is not meant to be exhaustive, but is only a representative sample of prohibited behavior. As noted previously, all employees are employed at-will. Just as the Company can terminate any employee at any time with or without cause or notice, any employee can resign with or without cause or notice.

Compensation in Special Circumstances

New Hires

The plan is designed to encourage new hires to develop into highly proficient Admissions professionals. All new hires will have an introductory period of six months. At the end of this six-month period, they will have performance evaluations based on the quality factors included in this plan, and they will be eligible for a salary adjustment based on these evaluations. They will then transition into the Admissions Performance Plan, as described below. Their third performance evaluation will be conducted according to the Admissions Performance Plan as with current employees.

Starting Salaries

Starting salaries for new ADAs or Associates who join EDMC from another organization should be based on their relevant experience and education. You must use the following chart in setting salary for these new hires:

Relevant Sales Experience	0-1 Year	2-4 Years	5-9 Years	10+ Years
<i>No Bachelor's Degree</i>	Up to \$33,000	Up to \$37,000	Up to \$41,000	Up to \$45,000
<i>Bachelor's Degree</i>	Up to \$36,000	Up to \$40,000	Up to \$44,000	Up to \$48,000
<i>Master's Degree</i>	Up to \$39,000	Up to \$43,000	Up to \$47,000	Up to \$51,000
A labor market adjustment may be applied to the base salary as appropriate. Current income verification (W2, tax return, or salary stub) will be required from the candidate if the salary offered exceeds the chart amount.				

Moving to the Admissions Performance Plan

Six months after hire, the manager will evaluate the performance of the new Associate or ADA using the quality factors included in this plan. The employee will receive a salary adjustment based on this review, as follows:

- Up to 12 quality points – no salary increase
- 13 to 17 quality points – 3% salary increase
- 18 to 22 quality points – 4.5% salary increase
- 23 or more quality points – 6% salary increase

Twelve months after hire, the manager will again evaluate the Associate or ADA using the quality factors included in this plan. The manager also will request a point tally for the employee for the previous 12 months of new students. The employee will receive the greater of the calculated salaries—either the salary increase based on quality points alone, based on the percentages above, or the salary based on new student points and quality points, as calculated for all other employees.

The participant's third performance evaluation will occur in the next June or December that is at least six months after the employee's twelve-month evaluation.

The Transition Schedule

Here is how Associates and ADAs with various hire dates will move to the plan:

Hire Date	Evaluation		
	<i>First</i>	<i>Second</i>	<i>Third</i>
January 1, 2002 or earlier	July 1, 2003: Based on plan	January 1, 2004: Based on plan	July 1, 2004: Based on plan
January 2, 2002 through July 1, 2002	July 1, 2003: The higher of: <ul style="list-style-type: none"> A percentage increase based on quality points (according to the guidelines above), or Based on plan 	January 1, 2004: Based on plan	July 1, 2004: Based on plan
July 2, 2002 through January 1, 2003	July 1, 2003: A percentage increase based on quality points (according to guidelines above)	January 1, 2004: The higher of: <ul style="list-style-type: none"> A percentage increase based on quality points (according to the guidelines above), or Based on plan 	July 1, 2004: Based on plan
January 2, 2003 or later	6 months after hire: A percentage increase based on quality points (according to guidelines above)	12 months after hire: The higher of: <ul style="list-style-type: none"> A percentage increase based on quality points (according to the guidelines above), or Based on plan 	Next July 1 or January 1 that is at least 18 months after hire date: Based on plan

** Current salary for employees hired before July 1, 1993 will be protected from a salary reduction until December 31, 2004, provided that the quality factor evaluation is at the "Meets Expectations" level or higher at each evaluation.*

Start-Up Locations

Associates and ADAs who are employed by a start-up location will be protected from salary reductions for a period of two years from the date the Admissions Office opens. New employees hired after the Admissions Office opens are protected until the two-year anniversary date of the office opening, not for two years from their hire date.

Part-time Associates and ADAs

Part-time employees are subject to the same quantitative and qualitative evaluations as full-time employees under the plan. New student points will be pro-rated to the full-time equivalent based on the number of hours worked over the past 12 months. The pro-rated new student points and quality factors are then used to determine the annualized salary. From the annualized salary, an hourly pay rate is calculated, as shown in the example below. This hourly pay rate will be applied to the hours worked by the part-time employee.

Part-time employees are also eligible for labor market and years of service adjustments.

Example:

A part-time employee who worked 1,560 hours during the previous 52 weeks worked an average of 30 hours per week, and earned 150 new student points and 14 quality factor points.

The pro-rated full-time equivalent performance is 200 points (150 new student points/ 30 hours X 40 hours).

200 new student points and 14 quality factor points = \$43,000 full-time annualized salary

The hourly rate = \$20.67 (\$43,000/[40 hours X 52 weeks])

New Student Points from Inherited Applicants

Applicants who were enrolled by Associates or ADAs who subsequently leave EDMC before the applicant starts school are considered "inherited applicants." These inherited applicants are to be reassigned by the DoA evenly to remaining Associates or ADAs who have at least six months of service with EDMC, and who are not on corrective action.

When these inherited applicants start school, the Associate or ADA who inherited the application will receive new student points as follows:

- Inherited General, Senior or International (all locations, including AiO)—1.5 new student points each
- Inherited CPD (all locations, including AiO)—0.5 new student points each

Please note that if the total of all new student points is a one-half point increment, it will be rounded up to the next whole point. For example, a point total of 199.5 will be rounded up to 200.

New Student Points from Inter-School Referrals

Inquiries referred by an Associate or ADA to another EDMC location, according to the guidelines of the Inter-School Referral (ISR) process, will count for one new student point for the sending Associate or ADA, regardless of all other criteria, provided the referred inquiry is a valid ISR who becomes a new student at the receiving school.

Changes in Status During the Year

While changes in status (promotions and demotions) can occur at any time during the year, salaries for employees covered by this plan can change only on January 1 or July 1. The only exceptions are for new employees at their six- and twelve-month reviews, and employees who transfer to a new location that has a different labor market adjustment, as described below.

Information on changes in status can be found in the Employee Handbook.

Employees Who Transfer to a New Location

The total salary of an employee who transfers to a different location may be determined by the employee's current baseline salary, years of service adjustment, and any applicable management adjustments, as well as the labor market adjustment at the new location. This means the employee needs to consider carefully any difference in the labor market adjustments between the two locations in deciding whether to transfer.

In these cases, the salary change due to the new labor market adjustment will take place at the same time as the transfer, instead of on the following July 1 or January 1.

Because employees who transfer will carry forward their historical new student results, the initial evaluations at the new location will be a combination of results at the prior location and the new location. However, this applies only to new students who matriculate at the prior location before the employee transfers. New students that have been reassigned to other ADAs will not be included.

Performance Evaluation

Performance evaluations are a critical part of the Admissions Performance Plan. Discussing performance throughout the year ensures employees focus on the critical factors that contribute to their personal success, which results in EDMC's success. Performance evaluations establish clear expectations and a connection between EDMC, its managers and its employees.

The Review Process

Under the plan, you conduct performance evaluations twice a year, in June and December. For each evaluation period, you will have two meetings with each individual employee:

- The first meeting is to review new students, quality factors, career development (including career options both inside and outside Admissions and EDMC, depending on skills, performance and interest) and performance improvement plans, as warranted. The Performance Evaluation and Planning Form must be completed in preparation for this meeting.
- During the second meeting, you will communicate any changes to salary that will take place as a result of performance during the evaluation period. The completed Salary and Performance Worksheet will be the basis for this discussion.

In addition, you will meet with employees on a quarterly basis to review progress and discuss individual development plans.

Talking with Employees About Compensation

Discussions about compensation should be personalized, based on each employee's individual situation. You should conduct these discussions in private, allowing the employee to ask questions. During the discussion, you should:

- Discuss the basis for the change (new student points, quality factors, labor market adjustment, years of service and Associate management responsibilities, if applicable)
- Provide the individual's new salary and effective date
- If appropriate, discuss potential compensation associated with career growth going forward

Glossary of Terms

Fair Labor Standards Act (FLSA) – This federal labor law established minimum wage and overtime compensation (1.5 times an employee's regular hourly rate of pay for hours worked over 40 in one week). Special rules apply to employees in California, in accordance with state laws.

Labor market adjustment – This is an adjustment made to salary for participants in some locations. It recognizes that the cost of labor in these locations may be higher than in other areas of the country.

New student points – The number of new students recruited over the past 12 months will be converted into points, based on the type of student. The total points—along with quality factor points—will determine a participant's salary within a range.

Non-exempt – A term defined by the FLSA. Associates and ADAs are classified as non-exempt positions, which means they are subject to the overtime provisions of the FLSA.

Overtime – The practice of paying non-exempt or hourly employees 1.5 times their regular hourly rate of pay for hours worked over 40 in one week.

Quality factors – Managers evaluate employees twice per year on their performance against five quality factors: job knowledge, business practices and ethics, professionalism, customer service and initiative.

Years of service adjustment – Under the plan, participants receive an adjustment to their salary based on total completed years of service with EDMC (including service with eligible acquired companies).

Appendix

This section of the guide contains the following:

- Performance Evaluation and Planning Form
- Salary and Performance Worksheet (sample)
- Quality Factors
- Manager Frequently Asked Questions (FAQs)